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TO: Executive

16 March 1950

FROM: Management Officer

SUBJECT: Survey of the CIA Budget Staff

### Purpose

To determine if budgeting methods and techniques within CIA are sound and accurate, as simplified as feasible, and if Budget and Fiscal operations have been separated to the maximum degree possible.

### Discussion

1. It is assumed by the Management Staff that all parties who will read this report of the survey are aware that CIA has had a good budget program, accomplished by capable people. Therefore, the survey was initiated in an attempt to determine any possible additional operations improvement and simplification omitting any reference to the already existing good points.

2. In an effort to achieve maximum simplicity, the following format will be used under the heading of Findings and Recommendations.

- a. Problem and present procedure.
- b. Recommended solution.
- c. Action taken.

### Findings and Recommendations

#### Item 1.

Problem and present procedure. A complete position control card index file is maintained by the Budget Staff. Many uses of this file were offered in justification for its existence. However, only two of its uses appear to be justifiable.

a. As a means for computing man-years for budgetary planning, preparation and reporting.

b. As a check that only one position is filled at a time. The latter point is not in terms of personnel position control, but rather to assure that though three personnel actions may be issued for one specific position due to attrition, Budget's position control card is designed to show what portion of the man-year each incumbent spent in the position.

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Recommended solution. That, if possible, the Personnel Division position control be adjusted to provide whatever information is necessary to the Budget Staff, or transfer to Machine Accounting. (Not to be abolished until new concept is proven usable.)

Action taken. Method being studied jointly by Budget Staff and Personnel Division to transfer function to Machine Accounting.

Item 2.

Problem and present procedure. In one case examined, funds were allocated to an activity on the basis of withholding 25 per cent of the amount intended. In this case, it appears that even further restrictions were placed on the activity by reducing the quarterly allotments. In this particular case, it may be that the problem was generated because funds were not allocated by Congress, until after the fiscal year began. Nonetheless, there appears that a larger contingency was maintained by the Budget Staff than was necessary which required many changes in allotments. At this point, it would seem CIA should assume that the Agency supervisory personnel are capable of operating the offices and activities entrusted to them.

Recommended solution. That all activities be advised of the total amount reserved for them in order that they may be able to adequately plan future operations.

Action taken. The Budget Officer stated that the above is their plan, and it would be implemented with the new fiscal year.

Item 3.

Problem and present procedure. At present when Advice of Allotment (Form No. 35-2) is made the total of the yearly amount allocated is indicated in the first column, and then the quarterly amounts are indicated on a cumulative basis; hence, a \$100,000 is not divided into four equal amounts which total \$100,000, but is shown as \$25,000, \$50,000, \$75,000, and \$100,000. As this appears to create additional work for the Fiscal Office, and no good purpose has been offered in rebuttal, it would seem advisable to change the system.

Recommended solution. That yearly allotment be set up in divided quarterly amounts. This yearly amount may be divided into four equal amounts, which will total the whole amount allotted or in any reasonable sums to equal the total. This allocation should be determined between the Budget Staff and the activity concerned.

Action taken; The Budget Staff indicated that they would take corrective action effective the first of the new fiscal year.

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Item 4.

Problem and present procedure. Form No. 34-12 is an advice of the amount of money each office has expended. This form indicates obligations, unliquidated obligations, and total obligations, and indicates the amount spent by symbol. While this method is very helpful to the Budget personnel, it would seem the operator receives meager information, and is left no alternative but to engage in extensive arithmetic to determine unobligated balances. Further, by advice of allotment the operator is told only two figures, the total amount allocated for 01, personnel service, and 02 thru 09 - "all other". However, the Form No. 34-12 indicates amounts obligated by item, but does not indicate unobligated balance. This problem is part of an overall problem as to whether activities should be advised of allotments by specific symbols, or whether the system of lump sum allotments is the best for CIA. Inasmuch as a "trial run" has been instituted in the Budget Office so that they may determine which system is the better, the Management Office will withhold its investigation until a later date.

Recommended solution. That the Form No. 34-12 be considered for redesigning, but that no action can be taken until a determination can be made in the Budget Office as to which system of allotment control will be used. However, the Management Office would recommend that for most offices, Form No. 34-12 should not be issued more often than quarterly.

Action taken. Action pending.

Item 5.

Problem and present procedure. Form No. 34-12 discussed above is prepared by the Fiscal Office, and submitted to the Budget Staff and thence to the operator. This would seem an unnecessary step.

Recommended solution. That the Form No. 34-12 when prepared by Fiscal be submitted directly to the activities so that questions that may arise could be directed to either the Fiscal Office, or the Budget Staff. The form can be prepared in an additional copy, which copy will be sent to the Budget Staff directly.

Action taken. Budget and Fiscal will study and submit the recommendation.

Item 6.

Problem and present procedure. In the past, most Budget presentations have been last-minute rush affairs. In all fairness generally

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a good deal of this was beyond the control of the Budget Staff. However, it creates a considerable hardship on the operating activities, prevents adequate planning and undoubtedly makes for fallacious budget planning. Much of this has already been corrected.

Recommended solution. While this comment is somewhat extensive, the following items would contribute toward the improvement of this problem:

- a. The issuance of comprehensive administrative instructions to set forth the concept of Budget and inherent problems, certain definitions, legal requirements and requirements necessary to satisfy the Bureau of the Budget and Congress.
- b. To engage in a program of "good publicity" so that operating activities have a better understanding of budgeting and budget problems, so that they will be in a position to cooperate. (Either through the orientation program, or specially called conferences.)
- c. Act as a source of advice for the operating activities and matters which may require project review action.
- d. Promote budget consciousness in the operating activities which will assist the overall Agency budget program as well as the operating activity itself.
- e. Assure that calls for estimates are in possession of the operating offices at least six weeks prior to the due date. (Already planned)
- f. Conduct Agency budget hearings prior to final estimate preparation. (Already planned)

Action taken. Most of this program is under way and should be completed in the near future.

Item 7.

Problem and present procedure. Estimates which must be submitted to the Projects Review Committee are normally prepared by the operating activity and submitted directly to the PRC, and while the Budget Officer is a member of this Committee, it would appear that he would be attending the meetings under somewhat of a handicap. As the Agency Budget officer, it would appear more feasible if he were permitted to review all such projects prior to the Committee meetings.

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Recommended solution. That one copy of all requests for Projects Review be submitted to the Budget Officer at least 24 hours in advance of the Committee meeting in order that budgetary implications can be examined and the Committee accurately and properly advised at the meeting in regard to the status of funds.

Action taken. Discussed with the General Counsel who agreed that while this is generally the case, he will endeavor to assure advance notice to the Budget Officer in all cases. Proposed changes to Administrative Instruction No.   are being drafted.

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Item 8.

Problem and present procedure. When funds are received each fiscal year a form is prepared and submitted to every operating activity indicating the amount of money allocated. For every change made in the allotment an entirely new form must be prepared, copying all old figures over, showing changes, etc. This would appear to be an unnecessary workload for Budget Staff.

Recommended solution. It is recommended that when the original Advice of Allotment is granted, it should be granted as a yearly sheet, and changes made thereafter be made by a change slip (new form to be designed). Upon the receipt of a change slip, each office concerned would correct the items effected and post new totals.

Action taken. Being considered by Budget.

Miscellaneous

Under this heading we would like to present items of general interest with and without recommendation:

1. Recommended that a general study of object and sub-object classification be made to determine if our budgeting system would satisfy two needs:

- a. Bureau of Budget requirements, and
- b. Provide cost accounting by IBM machines which will satisfy any logical or reasonable request from any source.

When this study is made, it is recommended that all field stations be considered and the pattern established to take the field stations into considerations.

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2. As a matter of tying relationships of the Management and Budget Staffs more closely together, a system has been devised between the Budget Officer and the Management Officer whereby the budget analysts will actually engage in Management activities in the follow-up phase of every Management survey whether major or minor. This system will be effected by providing the budget analyst of greatest concern (through the Budget Officer) a copy of every Management recommendation when they are approved in the Executive's office. The budget analyst will then act as a Management agent to determine that the program as approved has been or is being implemented. This will provide the budget analyst with a broader Agency knowledge, will assist the operating office in its budgeting, and will assist the Management program in carrying out its mission. Normally, these activities will be held strictly to administrative management. As it is frequently impossible to divorce administrative management from operations, coordination with COMPS will be automatic at any time an operational matter is involved.

3. Attached hereto is Tab A, Statement of Functions for the Budget Staff. Functional statements for the analyst and other personnel of the office will be written by the Budget Officer and submitted to the Management Staff.

4. Attached as Tab B is a list of proposed procedural changes and problems which are currently under consideration or have been concurred in and are being implemented which this office will examine at a later date to determine the degree of success of implementation. Management has annotated Tab B as to degree of achievement as of the date of this report.

#### Conclusions

It is recommended that no T/O change be considered or effected at this time. However, shortly after the beginning of the new fiscal year in July, the Management Staff will re-survey those portions of the Budget Staff which are left undecided in this report. Further by that date, certain IBM processes may have been established in the Budget Staff, and at that time a final report will be written which will include any T/O adjustment which might be considered best.

(signed)

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